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ABSTRACT

The growth of higher educational expenditures attributable to new social demands is considered. The main objective is to identify the sources of these costs, to estimate their amount, and to judge their impact on higher education. Colleges and universities, like many other types of organizations, are subject to social pressures and governmental programs resulting in significant increases in expenditures. It is proposed that socially imposed costs should be defined to include positive and negative effects on both costs and income in the long run. Socially imposed costs may be usefully subdivided into costs for actual program operations and costs associated with compliance or information. The period of time over which socially imposed costs are measured needs to be specified, and a distinction needs to be made between the increasing of costs and the changing of priorities. Higher education may have more difficulty than profit-making enterprises in shifting social costs to consumers and in handling new social costs because of staffing levels. An inventory of the sources of socially imposed costs to which colleges and universities are subject is presented. These sources include personal security, personal opportunity, consumer protection, work standards, environmental protection, natural resource use, tax reform, the need for knowledge and information, due process in matters affecting individuals including formal grievance and appeal procedures, the adoption of more open and democratic decision-making procedures, and the protection of individual privacy. (SW)

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August 1977

SOCIALLY - IMPOSED COSTS OF HIGHER EDUCATION

During the past quarter-century, institutional expenditures for higher education in the United States have increased at a prodigious rate (see Table 1). Total current expenditures grew from \$2.2 billions in 1949-50 to an estimated \$41.9 billions in 1975-76--a nineteen-fold increase. Part of this remarkable growth was due to an explosion of enrollment and part was due to price inflation.¹ But even after adjustment for these two factors, ex-

¹Later in this paper, the question of the meaning and measurement of the rate of inflation will be considered. Some of what is ordinarily called inflation may have been due to the very socially-imposed costs that are under review in this paper.

penditures per student in constant dollars nearly doubled over the twenty-six year period, increasing at the average rate of about 2 1/2 percent a year. Though the rate of growth has been slower in recent years than in the 1950s and 1960s, it has still been substantial.

Various reasons have been given for the rapid growth of expenditures. Some critics allege that the higher educational community has expanded its functions and its work load unnecessarily, that it has not been adequately attentive to efficiency and cost control, and that it has been able to indulge these follies through access to funds beyond its essential needs. Others, more friendly toward higher education, have argued that the increased expenditures have been necessary to bring about much-needed improvements in quality of instruction and

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Table 1.—Growth of Current Expenditures, all Colleges and Universities, U.S., 1950 to 1976

	Dollar amounts				Average Annual Percentage Increases Compounded (approximate)			
	1949-50	1959-60	1969-70	1975-76	1949-50 to 1959-60	1959-60 to 1969-70	1969-70 to 1975-76	1949-50 to 1975-76
	1949-50	1959-60	1969-70	1975-76	1959-60	1969-70	1975-76	1975-76
Total current expenditures ¹								
Current dollars (billions) ²								
Constant 1975-76 dollars (billions) ³	2.2	5.6	21.1	41.9	10.0	14.0	12.0	12.0
Constant 1975-76 dollars per student	5.1	10.6	31.0	41.9	7.5	11.0	5.25	8.5
As percent of GNP	2,333	3,820	4,906	5,173	2.5	2.75	1.6	2.5
Total educational & general expenditures ⁴	0.8%	1.1%	2.2%	2.6%	—	—	—	—
Current dollars (billions) ²								
Constant 1975-76 dollars (billions) ³	1.7	4.5	15.8	32.7	10.25	13.0	13.0	12.5
Constant 1975-76 dollars per student	3.9	8.5	23.2	32.7	7.75	10.5	6.0	8.5
As percent of GNP	1,773	3,063	3,671	4,037	3.25	2.4	2.25	2.5
Total enrollment (millions) ⁵	0.6%	0.9%	1.6%	2.0%	—	—	—	—
Consumer price index (1975-76=100) ⁶	2.2	2.8	6.3	8.1	2.5	8.0	2.5	3.5
Gross National Product (billions of current dollars)	43.2	53.0	68.1	100.0	2.0	2.5	4.0	3.0
Gross National Product (billions of 1975-76 dollars)	272.1	496.3	958.9	1,607.0	6.0	7.0	5.25	7.0
	629.9	936.4	1,408.1	1,607.0	4.0	4.0	1.4	3.5

¹Total current expenditures include outlays for institutional operations plus those for student aid and auxiliary enterprises.

²Sources: Bureau of the Census, U.S. Department of Commerce, Historical Statistics of the United States Washington: U.S. Government Printing Office, 1975, Vol. I, p. 384.

National Center for Education Statistics, U.S. Department of Health, Education, and Welfare, Projections of Education Statistics to 1984-85, Washington: U.S. Government Printing Office, 1976, p. 97.

³Deflated on the basis of the U.S. Department of Labor Consumer Price Index.

⁴Excludes outlays for student aid and auxiliary enterprises.

⁵Refers to full-time equivalent enrollment in the fall of each year. Source: National Center for Education Statistics, U.S. Department of Health, Education, and Welfare, 1967, p. 23; 1976, p. 29. Figure for 1949-50 estimated by the author on the basis of total enrollment.

⁶U.S. Department of Labor.

⁷U.S. Department of Commerce.

research; or they have argued that the increased expenditures have been thrust upon higher education by unavoidable increases in wages, salaries, and other costs that could not possibly have been offset by improvements in productivity. Doubtless there is substance to all of these explanations.

In addition, another explanation of the growth in expenditures is that they have been induced -- in part at least -- by social demands for new services, new activities, and new standards of operation. Such demands are said to have been an outgrowth of changing social values and expectations often leading to re-enforcement through governmental laws and regulations. It is widely asserted that they have imposed heavy costs for substantive compliance and also for onerous reports and red tape connected with governmental intervention. In this paper, we shall be concerned primarily with the growth of higher educational expenditures attributable to the new social demands. The focus will be on "socially-imposed costs." The main objective will be to identify the sources of these costs, to estimate their amount, and to judge their impact on higher education. These socially-imposed costs are of special concern to educators who fear that social pressures and governmental intervention will erode insitutional autonomy and thus impair academic freedom. A spirited discussion of socially-imposed costs has occurred in higher educational circles in recent years, a considerable though fragmented literature has appeared, and some partial and preliminary cost estimates have been made. The Federal Government has responded with some initial efforts to assess the situation and to seek solutions.

CONCLUSIONS

All higher educational costs are socially-imposed in the sense that all are in response to the needs or demands of society. The question of which ones are to be selected out and labeled "socially imposed" or "governmentally mandated" is wholly arbitrary. It is asking only: What is society expecting higher education to do today that it was not doing last year, 10 years ago, or 25 years ago? Or what is higher education voluntarily doing today, in the public interest as perceived by educators, that it was not doing before? With this all-inclusive definition of socially-imposed cost, the dollar amount over a given period of time could be computed merely by comparing total expenditures at the beginning of the selected period with those at the end of the period. Even the rising costs due to inflation could be said to be socially-imposed. Thus, efforts to calculate the amount of expenditures associated with socially-imposed costs is not a hugely rewarding activity. The basic issues relating to socially-imposed costs are philosophical or political.

One issue is whether some of the socially-imposed programs or activities are directed toward improper objectives. Is higher education being asked to engage in socially harmful or socially useless activities? My reading of the literature suggests that there is little complaint among educators about the objectives of most of the socially-imposed activities. Hardly anyone opposes efforts to improve personal security, equality of opportunity and access, environmental conditions, etc.

A second issue pertains to the appropriateness of the procedures and the skill and efficiency with which governmental programs are administered. In this connection, there is much criticism of clumsy administration, lack of understand-

of the academic community, arbitrariness, tactlessness, redundancy, inefficiency, etc. There is also complaint about the large number of new programs being imposed over so short a period of time that they cannot be readily assimilated.

A third issue pertains to finances. The plea is often made that the government should finance the additional costs it foists upon higher education. This plea, however, is simply part of the ongoing debate over the question: How much money should higher education receive? If society (represented by legislative bodies and donors) believes that higher education gets more money than it needs, then the imposition of new costs does not necessarily call for increased appropriations and gifts, but only for rearranged priorities within given levels of expenditures. On the other hand, if it is believed that higher education is impoverished, then the new costs will call for comparable increases in revenues. The question of financing socially-imposed costs is thus simply a sub-topic under the general questions of the proper level of financing for higher education and of the distribution of the burden among the Federal Government, state governments, donors, and students. Included within this issue is the question of the relative difficulty that many institutions of higher education face in shifting socially-imposed costs forward.

A fourth issue relates to governmental control and academic freedom. Many educators believe that the proliferation of socially-imposed activities and governmentally-mandated programs represents a threat to the kind of institutional autonomy which is the foundation of academic freedom. This view leads to the recommendation that desirable ends sought by the society should be achieved through means that would bear down less heavily on institutional autonomy. In the end, however, this view reduces to the question of

appropriateness of the procedures and the skill of administration, that is, to the question of efficiency broadly conceived.

As I see the matter of socially-imposed costs, the objectives being sought are, on the whole, laudable; the execution is often clumsy and wasteful; more new demands are being piled on the higher educational community in a short span of time than can be readily assimilated; in the financing of higher education, inadequate attention is being given to financial needs created by socially-imposed costs; and as Earl Cheit has pointed out (1975, p. 33), educational leadership may be losing a sense of "the larger vision" because of its preoccupation with social and governmental demands. Even more important, the proliferation of new socially-imposed programs and governmental laws and regulations is a serious threat to academic freedom. Perhaps the greatest need in connection with socially-imposed costs is to explore carefully the question of how the legitimate needs of society for security, equality, environmental improvement, etc., may be reconciled with the needs of the academy for intellectual freedom. These matters have been discussed with great wisdom and clarity by Presidents Bok (1976) and Brewster (1975).

SOCIALLY-IMPOSED COSTS AS A WIDESPREAD PHENOMENON

Higher education is of course not the only sector of the economy that is subject to socially-imposed costs. The operations of virtually all businesses, non-profit organizations, municipal and state agencies, and even agencies of the Federal Government are subject to social pressures and governmental programs resulting in significant increases in expenditures. For example, most are faced with demands relating to:

Health, safety, security, and welfare of workers

Prescribed standards of wages, hours, and working conditions

Collective bargaining

Equality and openness of personal opportunity and of access to economic and cultural facilities

Participation of constituent groups in decision-making

Protection of personal privacy

Public disclosure of information

Consumer protection

Environmental protection

Development and conservation of natural resources

In addition, most industries are subject to particular socially-imposed costs related to their special circumstances. For example, railroads are subject to special rate regulation and labor standards, oil companies are subject to special environmental demands, multi-national companies are subject to the requirements of U. S. foreign policy, colleges and universities are subject to the "shared-cost" concept in connection with federal grants and contracts, etc.

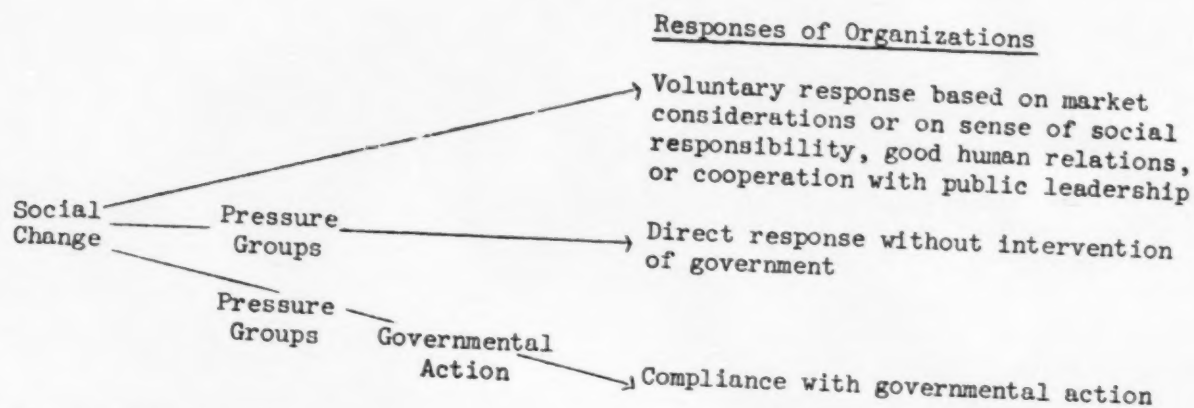
The socially-imposed costs, to which organizations of all kinds have become subject in recent decades, have been due mostly to profound social changes. These changes have been world-wide in scope, though they have appeared in unique forms and combinations in different nations. They have been part of the evolution of industrial society. Asserting that many socially-imposed costs have been due to basic social change does not imply that social pressures or governmental action leading to increased cost have always been inevitable or well-advised any more than it implies that organizational responses are always appropriate.

Organizations of all kinds, including higher education, have responded to these social changes in three ways: (1) by voluntarily adjusting to the new

conditions in ways that will improve their market positions;² (2) by volun-

² Even non-profit organizations such as colleges and universities are mindful of the effects of their actions upon their markets.

tarily modifying their behavior according to their own concepts of social responsibility, of good relations with workers, consumers, suppliers, and the general public, or of cooperation with public leadership; (3) by altering their behavior in ways forced upon them by collective bargaining, community opinion, mass protest, threat of governmental action, etc.; and (4) by changing their behavior in conformity with specific governmental sanctions. Governmental sanctions in turn have been responses to these same social changes. Thus, basic social change -- not merely the arbitrary or whimsical decisions of government -- lie at the root of much of the behavioral modification of organizations. The path of causation is illustrated in the following diagram:



The changed behavior of organizations, and any associated increases in costs, are ultimately due to social change -- sometimes mediated through government and sometimes not. Governmental programs and regulations are thus seen as part of a more fundamental social process. In this paper, we shall be concerned with all socially-imposed costs, not merely with those in which government happens to be involved.

SOME CONCEPTUAL ISSUES

When one contemplates assigning dollar amounts to the socially-imposed costs, one immediately faces several basic conceptual issues, quite apart from technical problems of estimation.

First, social change of the kinds under consideration may raise cost, lower cost, raise income, lower income, or have no effect on either cost or income. The frequent assumption that such social change will always raise cost is surely false. For example, when an organization responds to social demands regarding the conditions of work, the morale or the health or the job satisfaction of workers may be enhanced and, as a result, worker productivity may be raised and cost lowered. Even when this effect is not immediately noticeable within the particular organization, improved working conditions may in the long run bring about a rise in productivity for the whole society (eventually including the particular organization). Comparably, a change in tax laws intended to enhance the fairness of the tax system may reduce philanthropic contributions and thus lower the income of non-profit organizations, an effect which would be tantamount to an increase in cost. In view of these possibilities socially-imposed costs should be defined to include positive and negative effects on both costs and income in the long run.³

³When judging the effect of a social change on cost, one must ask: Compared to what? For example, if the workers of the nation are demanding universal health insurance, their morale and productivity might fall if the demand is rejected. Meeting the demand, then, may be said to increase productivity and lower cost, compared with what it would have been with rejection but not compared with past performance. On the other hand, in a different psychological climate, adopting universal health insurance might raise morale and increase productivity compared with past performance. The effect on cost, then, may be relative to the psychological climate.

Second, socially-imposed costs may be usefully divided into two groups:

(1) costs for actual program operations, and (2) costs associated with compliance or information. For example, one might distinguish between Social Security taxes paid vs. filling out the returns and record-keeping; operating a Black studies program vs. providing statistical information on minority enrollments; improving animal care facilities vs. preparing annual compliance reports; increasing the faculty-student ratio as suggested by an accreditation team vs. preparing an institutional self-study. These distinctions may break down when pressed too far, but they are important because much of the furor about social costs pertains to costs of compliance or of gathering and supplying information rather than to program costs which in the aggregate are much greater than costs of compliance.

Third, the period of time over which socially-imposed costs are to be measured must be specified. Among the possibilities are: (1) to measure increases in these costs between two selected dates with the results presented as total increases over the period or as average annual increases, or (2) to measure the total expenditure for socially-imposed costs in a given year. The second possibility would be tantamount to measuring the increase in social costs since the first such costs were incurred, probably since the inception of higher education in this country. Ideally, it would be desirable to know the total social cost in the latest year and the rate of growth in social cost over a recent period of years. In connection with specifying the time period, a distinction should be made between capital costs and recurrent operating costs and between startup costs and continuing recurrent costs. Contemporary discussion tends to be very fuzzy concerning these distinctions. For example, some of the costs of the Occupational Safety and Health Act (OSHA) may be in the form of one-time capital costs which loom very large in the near future but which would seem less overpowering if amortized over the life of the capital

improvements. Whereas another program involving mainly operating costs, -- for example, establishing women's intercollegiate athletics -- may be seemingly less awesome in the near future but may in the long run be more costly than OSHA. Similarly, in many cases, costs of compliance or of supplying statistical data are relatively high in the first year when new procedures and new computer programs must be adopted and employees must be trained, but become much lower in later years when the operations can be routinized.

Fourth, a distinction must be made between the increasing of costs and the changing of priorities. When social or governmental intervention imposes new programs and activities upon organizations it does not necessarily follow that aggregate costs will be increased. Such intervention may merely change the priorities of the organizations, causing a substitution of new programs or activities for old ones, with total costs unchanged. For example, if higher education had not been required to meet the specifications of the Employment Retirement Income Security Act (ERISA), introduce ethnic studies, follow affirmative action, etc., etc., the same money might have been spent to raise the faculty-student ratio, to expand the library, or build a new sports arena. The amount of money available to spend would not necessarily have been greater because of the imposed social costs. The priorities would simply have been altered. Similarly, when administrators and faculty members are called upon to assemble statistics, prepare reports, entertain site visitors, negotiate, lobby, read governmental regulations, etc., these activities may not increase aggregate expenditures but may merely divert staff time and energy from accustomed work to new tasks. In other words, these new demands may change the priorities but not necessarily increase aggregate costs. One then must ask whether the new priorities involve an improvement or a deterioration in the efficiency of the organization viewed from the standpoint of the broad public interest.

Consideration of these four conceptual issues suggests caution in rushing to the conclusion that every social pressure or governmental regulation raises cost or reduces efficiency. However, the probabilities are high that the combined net effect of these social changes have indeed raised costs of traditional services or have changed priorities in ways that impair efficiency of conventional operations. However, when these social changes are viewed in a broader context, they may mean that in recent decades society has chosen to take an increasing share of the national product in the form of security, safety, health, participation, due process, equality, privacy, consumer protection, agreeable working conditions, environmental improvement, conservation of resources, information, etc., and a smaller share in the form of conventional goods and services. Society has apparently chosen a more secure, a more humane, and a more informed world in place of a more affluent world. This is not necessarily a bad choice -- though people may disagree on the details -- but the consequence is a significant change of the composition of the national product. However, it happens that our conventional social accounting does not include these new goods relating to security, humaneness, and information as part of the national product and so we are faced with rising costs of production without corresponding increases in the measured quantity of goods and services. Rather these costs, regardless of their merit, are assigned to the production of ordinary goods and services and show up as reduced efficiency or impaired productivity (in the production of these ordinary goods and services) rather than as legitimate costs that yield distinctive and useful, albeit intangible, products.

To finance these costs (which are akin to taxes) organizations must either increase their revenues or make offsetting reductions in regular costs. They may increase revenues by raising the prices of the ordinary goods and services they produce. Or they may reduce their regular costs by lowering the range or

quality of goods and services produced. In either of these cases, costs are shifted forward to consumers. Non-profit organizations may shift some or all of the cost forward to philanthropists and taxpayers by obtaining increased amounts of gifts or appropriations.⁴ On the other hand, organizations may

⁴ In the case of higher education, the possibility of shifting these costs forward may be affected by the discriminatory price policy characteristic of colleges or universities.

shift the new costs backward to workers by paying wages and salaries lower than would otherwise prevail. It is often argued that payroll taxes and other fringe benefits paid for by employers are shifted in the long run to workers in the form of lower wages. This conclusion has been based on the assumption that real labor costs (including wages, salaries, and fringe benefits) are limited by the net productivity of workers. However, this conclusion may be questioned for a labor market that is dominated by collective bargaining, minimum wages, and regular annual wage increases as the norm for non-unionized as well as unionized workers. On the other hand, it is often asserted that costs for purposes such as environmental improvement, consumer protection, conservation of resources, and affirmative action, are usually shifted to consumers in the form of higher prices. The question of the precise shifting and incidence of taxes and related charges is far from settled, especially in the case of taxes and charges that apply across the entire economy or across large parts of it. Since most members of the population are both workers and consumers, it may not make much practical difference whether the shifting is backward to workers or forward to consumers. But to the extent that the shifting is forward to consumers, and in my judgment a large part of it does go in this direction, it is likely that some of the steady

relentless inflation we experience year after year is due to socially-imposed costs which are passed through to consumers in the form of higher prices or reduced quality of product, or to taxpayers and philanthropists through increased appropriations and more generous gifts.

To the extent that the new costs are shifted to consumers in the form of higher prices, they affect the general price indexes, accelerating the rate of increase in these indexes. Some of what is ordinarily called "inflation," then, is almost certainly due to cost increases generated by social change. Strictly, these costs should not be registered in the price indexes because they are incurred for the purpose of producing important social values such as security, job satisfaction, participation, environmental improvement, and all the rest. But since these values are not counted statistically in the national product, they show up as higher prices for ordinary goods and services with which they are jointly produced. It is not known to what extent the price indexes have been biased upward because of these social costs. But it is certain that the effect has been substantial, and that the true rate of inflation derived from monetary and fiscal factors has been less than usually supposed.

Because some socially-imposed costs become incorporated in the general price indexes, it is necessary in estimating social costs to avoid the error of deflating expenditures on the basis of a general price index and then considering the social costs as part of the deflated expenditures. Rather, at least some social costs must be considered as part of the expenditures reflected in the rising price indexes.

THE SPECIAL POSITION OF HIGHER EDUCATION

Up to this point, the discussion has been concerned with socially-imposed costs in general as applied to all sectors of the economy, colleges and

universities being only one class of organizations affected. As indicated, organizations of different types and in different industries are subject to special costs or are affected in special ways. This section describes the special position of colleges and universities.

Higher education became subject to some of the socially-imposed costs later than other industries. For example, higher education was exempted in the early years of Social Security, minimum wage laws, collective bargaining legislation, and other social programs and was brought in only after many years. More recently, however, higher education has come to be regarded for purposes of social legislation as no different from other industries, and in the newer programs, it has been included from the start. As a result, higher education has had to adjust to the many socially-imposed costs over a shorter period of time than other industries. This problem has been exacerbated because the cost and inconvenience of social programs is greater at the time of startup than over the longer pull when they become routinized.

Higher education (and other non-profit organizations) may have more difficulty than profit-making enterprises in shifting social costs. The problem may be especially severe in the case of institutions that are near the margin of survival. Whereas profit-making enterprises are financed almost wholly from the sale of their products in the market, colleges and universities receive only part of their income from tuition and fees and the rest from appropriations, gifts, and investment income. For higher educational institutions to recover increased social costs, they must usually enlist the aid of legislators and donors as well as to raise prices in the form of tuitions and fees. If they are unsuccessful in this effort, then their only recourse is to absorb at least some of the costs within their budgets at the expense of the range or quality of their programs. In this case, the social costs are indeed

shifted to consumers but through deterioration of programs, a way that is seldom acceptable to educators. This is not to say that profit-making enterprises can always shift new social costs instantly through higher prices to consumers, but only that their power to do so may be greater than that of higher education (Van Alstyne & Coldren, 1976, pp. 18-19).

Colleges and universities may have more difficulty in coping with new social costs than business firms because they may be less adequately staffed and, in view of their decentralized organization, less capable of dealing with government.

It is sometimes argued that higher education is harder hit by new social costs than other organizations because colleges and universities are relatively "labor-intensive." It may be that the payroll of higher education makes up a somewhat larger part of total expenditures than that of other industries on the average. However, wages and salaries in the entire economy are about four-fifths of total national income, and it is doubtful if higher educational payrolls are much above this share.⁵

⁵Some rough calculations suggest that payrolls make up 80 to 85 percent of total educational and general expenditures.

Higher education differs from business in that it is largely tax exempt. This special status cuts two ways. On the one hand, higher education receives a hidden subsidy in the form of general governmental services for which it does not pay. This may justify government in expecting colleges and universities to bear some social costs or to serve in partnership with government in some costly research and training programs. On the other hand, tax exemption means that higher education is not able to deduct socially-imposed costs from taxable income, as private business can do, and that colleges and universities must bear

the whole cost rather than about half the cost as in the case of private companies of comparable size.

Though the special conditions within higher education may put it at some disadvantage in comparison with profit-making business, the differences are not very pronounced. On the basis of the differences mentioned, it would be hard to make a case that higher education should have special treatment except the obvious one that its funding source should take socially-imposed costs into account in setting the amount of appropriations and gifts. There is, however, one additional difference that stands alone because of its central importance. This is the special need of colleges and universities for freedom from governmental controls and social pressures. Profit-making enterprises are, of course, as concerned as any other organizations to protect their freedom of decision and action. However, colleges and universities as centers of teaching and research have a special interest in autonomy because of their responsibility to protect freedom of thought from encroachments either of interest groups or of government. For this reason, the sensitivity and the resistance of the higher educational community to some forms of external pressure and control are likely to be greater than the resistance of profit-making enterprises — and properly so.

SPECIFIC SOURCES OF SOCIALLY-IMPOSED COSTS IN HIGHER EDUCATION

This section presents an inventory of the sources of socially-imposed costs to which colleges and universities are subject. In a later section, the question of the magnitude of these costs will be considered.

Personal Security. The increasing concern in our society for the protection of individuals against hazards of life such as unemployment, illness, accident, old age, and premature death has resulted in many informal influences on organizations to manage their affairs in ways that will enhance personal

security, and has also resulted in a flood of legislation -- federal and state -- requiring organizations to provide for the personal security of their workers. Among the specific laws, regulations, and influences are the following:

Federal Legislation or Regulations⁶

Social Security Act of 1935 as amended

Old-age pensions

Survivor's insurance

Disability insurance

Unemployment compensation

Health insurance

Occupational Safety and Health Act of 1970 (OSHA)

Poison Prevention Packaging Act

Radiation Safety

Protection of human and animal subjects used in research

Health Maintenance Organization Act of 1973

Employment Retirement Income Security Act of 1974 (ERISA)

Intermittent wage and price controls designed for broad economic stabilization

⁶ Some colleges and universities are exempt from some federal programs. For example, they participate voluntarily in Social Security old-age pensions, survivors' insurance, and disability insurance. In the case of unemployment compensation, ERISA, and OSHA, many are subject to comparable state laws or programs.

State and Local Legislation or Regulations

Workmen's Compensation

Building codes for protection against fire, flood, earthquake panic, etc.

Rules and inspections relating to public health and health-care services.

State laws and programs relating to retirement, occupational health and safety, unemployment compensation, etc., some of which overlap with federal programs.

Institutional Practices Resulting from Informal Social Influences

Fringe benefits in the form of pensions, health and disability insurance, life insurance, severance pay, etc.

Tenure and other long-term employment contracts.

Procedures making termination of employment legally and practically difficult.

Most of these programs or practices involve substantial costs for both the benefits afforded employees (and in some cases students) and for expenses involved in compliance.

Personal Opportunity. Another important source of rising costs to higher education is the increasing concern in our society for open access of all persons to education, work, public facilities, and cultural amenities without discrimination on the basis of race, religion, sex, physical and mental handicaps, age, personal appearance, life style, etc. This concern has led to far-reaching voluntary decisions on the part of colleges and universities, to heavy informal pressures on them, and to a great deal of legislation and court-made law. Some of the specific laws, regulations, and influences are as follows:

Federal Legislation or Regulations

Affirmative Action: Executive Order 11246 of 1965 as amended in 1967 to include discrimination on the basis of sex.

Employment Act of 1967 (relates to discrimination on the basis of age).

Table VII of the Civil Rights Act of 1964 as amended by the Equal Employment Opportunity Act of 1972 (prohibits discrimination in employment practices on the basis of sex, race, creed, or national origin).

Title IX of the Educational Amendments of 1972 (bars sex discrimination in educational policies, programs, and employment practices).

Financial Aid to Students (a variety of grants, loans, work-study and including special provisions for minorities).

Internal Revenue Service regulations concerning discrimination in employment and in student admissions.

Many judicial decisions affecting employment, student recruitment, and educational practices.

State and Local Legislation or Regulations

Some states and municipalities have enacted legislation or regulations pertaining to discrimination in student admissions or in employment. In particular, open admissions or special provisions for minorities have been mandated in some jurisdictions.

Programs of financial aid to students and of assistance to minorities are available in many states, and have tended to increase the student load. However, these programs have also expanded the opportunities of the institutions to obtain revenue from both appropriations and tuition.

Institutional Practices: Resulting from Informal Social Influence

In carrying out newly-perceived social responsibilities and in reacting to pressures from minority groups and women, many institutions have actively recruited minority students and women and have provided special remedial programs, counseling, curricula, facilities, and financial aid for these groups.

Because higher education is a vital ingredient of social mobility for disadvantaged groups and a strategic point of access to the mainstream of American society, colleges and universities are focal points in the struggle for personal opportunity and human equality. Their role is more important in the areas of student recruitment and educational programs than in the area of employment practices, though the latter is essential to non-discriminatory education. An institution that discriminated in employment practices would not be a fitting environment for non-discriminatory education. To some degree, the involvement of colleges and universities in equal opportunity antedated both the intense social pressure and governmental programs of the 1950's and later. However, without the pressure -- informal and governmental -- it is doubtful if they would have extended themselves as much as they have.

The efforts of colleges and universities to respond to social demands for equal personal opportunity have involved substantial costs -- especially in recruiting and admitting students,⁷ supplying student aid, and providing special

⁷The costs to particular institutions of recruiting minority students may level off as institutions gain more experience and as they develop networks of minority alumni who can assist in the recruitment process.

programs and facilities. Some of these costs are for one-time capital investments, but most tend to be recurrent and increasing. Complying with various related governmental programs involves costs of data collection, report preparation and legal services. Also, dealing with campus unrest associated with minority issues has involved significant time and effort on the part of faculty and administrative officers.

Public programs of student aid have undoubtedly relieved institutional student aid budgets. On the other hand, social pressures on institutions have required them to stretch their resources for student aid and also to bear significant administrative or matching costs connected with public student aid.

Two new areas of federal intervention with substantial cost implications are pending. One is the extension of affirmative action to student admissions⁸

⁸Speech of Joseph A. Califano, Jr., at City College of New York, June 5, 1977. Quoted in Higher Education and National Affairs, American Council on Education, June 10, 1977, p. 1.

and the other is providing facilities to accommodate students with physical and mental handicaps.⁹ The costs of these two initiatives is likely to be

⁹"Califano Signs Guidelines on Handicapped; Cost of Compliance Worries Colleges," Chronicle of Higher Education, May 9, 1977, pp. 3, 12-14.

very high and it remains to be seen how these costs will be financed.

Participation, Openness, Due Process, and Privacy. A prominent characteristic of contemporary society is the rejection of paternalism, arbitrary decisions, and secrecy in the conduct of affairs. As a corollary, there is a strong demand for participation of individuals in matters affecting them. Employing organizations, educational institutions, churches, political parties, and government have all been persuaded or forced to adopt more open and democratic decision-making processes. Closely related to the demand for participation has been a new insistence on due process in matters affecting individuals including formal grievance and appeal procedures. In the present climate of opinion, most organizations find it expedient or mandatory to reach decisions openly, with the participation of those affected, and with formal provisions for due process and review. This is especially so because decisions often lead to litigation and courts have leaned increasingly toward reviewing organizational decisions not only on the basis of substance but also of procedure. Indeed, the mandate for participation, openness, and due process comes largely from judicial decisions rather than legislation.

The principal legislation on these matters is the First Amendment to the Constitution (as continuously reinterpreted); the Wagner Act of 1935 (as frequently amended and interpreted) providing the right of workers to organize, to bargain collectively, and to strike, and formulating rules governing collective bargaining; various federal and state laws prohibiting secrecy in the conduct of public business. Otherwise, the sanctions derive primarily from informal group pressure and court-made law.

The demands for participation, openness, and due process have deeply affected the governance and decision-making within higher education. They have led to increasing influence of students, faculty, and non-academic staff in

the affairs of colleges and universities. They have led to greater attention to the codification of rules, to consultation, and to procedures. They have given rise to pressure groups among faculty, students, and employees; to new tactics for exerting pressure including demonstrations and strikes; to the establishment of the office of ombudsman; to formal grievance procedures; and to frequent litigation. Collective bargaining has also been a manifestation of the demand for participation, openness, and due process. Though relatively new in higher education, collective bargaining has become commonplace among non-academic employees and is increasingly prevalent among faculty members, especially in public community colleges and state colleges.¹⁰

¹⁰ The effect of collective bargaining and other forms of participation in the decision-making process on wages and salaries will be considered in another section of this discussion.

The new demands for participation, openness, and due process have required much time, effort, and money in establishing formal procedures, in settling specific complaints, in obtaining legal advice, and in defending law suits. They have also greatly increased the time and effort in ordinary decision-making and impaired the flexibility and innovativeness of institutions. They have diverted people -- administrators, faculty, staff, and students -- from their ordinary pursuits. Whether they have resulted in better decisions, more amicable human relationships, higher morale, greater productivity, and better education is not known, but it is doubtful that they have had these effects. They have almost certainly strengthened the position of faculty, staff, and students in the decision-making process and protected them from arbitrary decisions, but in doing so have injected new costs and constraints into the operation of colleges and universities.

Closely related to the concern for due process has been a new interest

in the protection of individual privacy. This has been manifested in many ways, beginning with the traditional limitation on the search of private premises, and extending to more recent restrictions on wiretapping and other covert surveillance, and to limitations on the use of educational histories, credit records, financial transactions, medical histories, criminal records, letters of recommendation, etc. The concern for privacy also raises issues about the use of identity cards and identity numbers.

These developments have profound significance for higher education. Colleges and universities have long accumulated records on individual students regarding academic performance, campus work, personal behavior, and health; faculty members and administrators have added to these records by conferring awards and prizes and by writing letters of recommendation; and these records have been shared with other educational institutions and with prospective employers including the armed services. On occasion, these records have figured in criminal proceedings. These records have certainly had a bearing on crucial educational decisions such as admissions, promotion, retention, award of degrees, transfer to other institutions, etc. In the present climate of opinion, institutions of higher education have become cautious about the collection, storing, and conveyance of such information, and systematic rules and procedures have been adopted. One factor in their caution has been the threat of law suits.

Concerns about privacy for students culminated in the Family Educational Rights and Privacy Act of 1974 (known as the Buckley Amendment) which gives students the right to inspect their files, to seek changes in records they feel are inaccurate, to demand formal hearing of complaints, and to prevent disclosure of information of a private nature without the student's permission. The act also requires that institutions obtain permission from past informants

before the information they have supplied is released to students. The Buckley Amendment may have reduced the capacity of colleges and universities to supply pertinent information about students to prospective employers and to other educational institutions, but may have protected students from the dissemination of information about students.

Emancipation of Youth. In recent decades, a veritable revolution has occurred in the degree of freedom of young people with respect to manners, mores, dress, general mode of life, and personal life decisions. Along with this has come a rejection of paternalism both within the family and within institutions. The chief legal manifestation of this social change has been the constitutional amendment lowering the age of majority to eighteen.

Higher education has been deeply influenced by the emancipation of youth. It has largely abandoned the concept of in loco parentis and deals with its students as adults. It has greatly reduced specific curricular requirements and social rules, and has narrowed its responsibilities for supervision and guidance. The percentage of students living in institutions residences has declined. Also, in view of the reduced formality of life style and manners, emphasis on gracious surroundings, served meals, formal parties and receptions, etc., has been reduced. These changes may have resulted in lowered costs. On the other hand, changing conditions in the job market have led to expanding services in vocational guidance and placement and to the introduction of new vocational curricula. The new sexual mores have led to new demands for medical services. The increasing use of cars, TV sets, hi-fi sets, and other gadgets by an affluent generation of students has increased energy consumption and parking costs. And new behavior patterns have increased the need for campus security. On balance, it is unlikely that the emancipation of students has reduced costs.

Perhaps the most important aspect of the emancipation of youth is its potential effect on student finances. The basic concept underlying student financial aid is that the amount of funds to be granted any student is largely determined by the financial circumstances of the student's family -- the family defined to include the student, his parents, and other contributing members. But if a student becomes emancipated from his family, as increasing numbers do, the parental family is no longer relevant to student aid allotments. The "family" of a single student then becomes simply the student himself and the family of a married student becomes the student, a spouse, and children if any. Thus the amount of aid due an emancipated student is usually more than that due one who is still part of a parental family. This situation is aggravated by the increasing average age of students. Another aspect of emancipation affects in-state vs. out-of-state tuitions in public colleges and universities. Historically, the residence of a student has been deemed to be the residence of his parents. But emancipated students, and others as well, may establish residence in the state where they go to college (regardless of where their parents reside) and thus qualify for in-state tuition. The impact of emancipation upon expenditures for student aid and on income from tuitions has already been substantial. If the trend toward emancipation continues, the financial effect could be enormous.

Consumer Protection. A social concern that has a long history but that has been gathering steam in recent decades is consumer protection. Its purpose is to promote health and safety and is therefore akin to the concern for security already discussed. But it has another purpose, namely, to prevent deception and exploitation of consumers. The legislation in this area centers in federal laws establishing the Federal Trade Commission, the Food and Drug Administration, the Securities and Exchange Commission, and a host of agencies

scattered throughout the Federal Government and state and local governments that inspect, license, accredit, cajole, and otherwise supervise and regulate organizations for the protection of consumers.

In the case of higher education, society has depended primarily on voluntary accreditation for the protection of consumers. In some states, however, departments of education or boards of regents have also exercised surveillance and control. Recently, abuses in the proprietary sector, the appearance of degree mills, and also impaired confidence in colleges and universities have led to demands for consumer protection. Also there have been a few court cases in which plaintiffs have alleged that they were misled by the claims of institutions attended or that institutions did not produce the educational results they had promised. Generally, however, the rising demand for consumer protection has not produced a significant increase in higher educational costs, though potential future increases of modest amounts are likely.

Work Standards. Over the years, standards for wages, hours, and other working conditions have steadily risen. The rising standards have grown out of and have often been backed up by legislative mandate. The principal legislation has been the following:

The Wagner Act of 1935 (as frequently amended) providing the right of workers to organize, to bargain collectively, and to strike, and formulating rules governing collective bargaining.

The Fair Labor Standards Act of 1938 (as frequently amended) providing minimum wages, maximum hours, time-and-a-half for overtime work, etc.

The Equal Pay Act of 1963 providing that employees doing similar work should receive the same pay regardless of employee's sex.

The Economic Stabilization Act of 1970 instituting temporary wage and price controls.

Many state laws regarding working conditions other than wages and hours.

Higher education has become subject to legislation of this type relatively recently but it has already had considerable impact.

Though there is a question as to whether collective bargaining in the long run raises the level of real wages in the economy as a whole, it probably does raise the wages of particular disadvantaged groups. It happens that colleges and universities have had a long record of paying less than prevailing wages to their non-academic employees. They have been able to do this in part by offering steady employment, by providing pleasant and humane working conditions, by exploiting captive workers such as students and wives of students and professors, by placing workers under less pressure than is customary in private industry, and by providing special fringe benefits (for example, reduced tuition or tickets to public events). The unionization of non-academic employees has probably raised their wages and thus increased higher educational costs. In the case of faculty members, who on the whole have been well paid over recent decades, there is some doubt as to whether collective bargaining has raised compensation. Two recent studies suggest that its effect may have been weak.¹⁰

¹⁰"Do Unionized Faculty Members Get Bigger Pay Increases?" Chronicle of Higher Education, December 6, 1976.

However, under conditions that can easily be visualized, the impact of collective bargaining might be considerable over the long run -- especially in preventing the decline in real earnings that might otherwise accompany a weakening of the demand for academic labor.

The minimum wage law and the requirement of time-and-a-half for overtime have both undoubtedly raised higher educational costs. Their effect has been to raise money wage payments without necessarily increasing productivity or taking away fringe benefits. Also, the secular trend toward higher standards in working

conditions other than wages and hours may also have raised costs in higher education.

Environmental Protection and Natural Resource Use. A major social change has been increasing concern for protection and improvement of the environment and for conservation and development of natural resources. Numerous environmental laws and programs (federal, state, and local) have been enacted or initiated. These relate to improvement of air and water quality, sanitation, noise levels, natural beauty, architectural design, and land use. Similarly, numerous laws and programs have been enacted or initiated relative to conservation of land, water, forests, energy, minerals, fisheries, and other natural resources. With a growing population, increasing demands on the environment, and steady depletion of natural resources, concern for the environment and for resources is likely to become more intense.

Higher education is neither a heavy polluter of the environment nor a heavy user of natural materials. Its effect on the environment tends on the whole to be favorable or at worst neutral. Colleges and universities sometimes emit pollutants from their power plants, or discharge liquid wastes into streams, or dispose of solid wastes inadequately; they sometimes create minor neighborhood nuisances related to traffic, parking, and student behavior; they sometimes use (or wish to use) land in ways contrary to overall city plans; and they sometimes engage in research that may conceivably endanger the environment, for example, research involving radiation or recombinant DNA. However, environmental concerns as expressed in governmental programs and policies are on the whole a minor source of increased expenditures for colleges and universities -- though in some instances institutions have been subjected to major costs or major inconvenience because of municipal zoning regulations or demands for smoke abatement.

The use of energy in higher educational institutions is chiefly for heating, air conditioning, lighting, and operation of small equipment and machinery. The use of water is chiefly for drinking, sanitation, cleaning, air conditioning, etc. The uses of energy and water correspond to that of homes and office buildings -- not to that of factories or transportation. And colleges and universities are minor users of other natural materials. Rising relative costs of energy, water, and other natural materials have indeed raised the expenditures of colleges and universities. But the increase has probably been due predominantly to the policies of the oil cartel and to market forces rather than to domestic governmental decisions and actions. The cause of the rising costs of energy and water have not been so different from the causes of the sharp increases in the prices of legal services, books, paper, building construction, postage, and many other items that are purchased by educational institutions.

Need for Knowledge and Information. A complex industrial society has an almost insatiable appetite for knowledge and information. They are needed as an important ingredient of broad cultural and technological advancement, they are needed for private policy-making, and they are needed for governmental policy-making, policy evaluation, and program enforcement. These needs result in a host of grants and contracts from government in support of research to be conducted by colleges and universities. They also result in a surfeit of questionnaires and reports that are requested or demanded of colleges and universities by governmental agencies and also in numerous inspections, site visits, and negotiations.

A major issue in connection with governmental grants and contracts to support research in colleges and universities concerns the provision for indirect or overhead costs. The Federal Government discriminates between universities and private business in allowances for overhead and other indirect costs. The theory underlying the less generous treatment of higher education

is in two parts: (1) that because one of the established functions of colleges and universities is to conduct research, their regular funding sources should share in the costs of governmentally-sponsored research, and (2) that because universities are going research enterprises, the overhead costs related to governmentally-sponsored research are not increased in proportion to the volume of research undertaken and that reimbursement of marginal rather than average overhead costs is adequate. At any rate, it is debatable whether research grants and contracts from the Federal Government raise university and college costs in ways that place increased burdens on the regular funding sources of the institutions. Many educators believe that institutional costs are probably increased by reasons of federal research grants and contracts and that what the government euphemistically calls "cost-sharing" probably places a considerable burden on higher educational institutions. In any case, the negotiations about reimbursement of overhead costs are exceedingly time-consuming.

The need for knowledge has produced another result. Colleges and universities -- along with companies and private individuals -- have been faced with increasing governmental demands for data. Some of the requests are seemingly useless, some are ambiguous, some are duplicative, and most request data in unique forms that necessitates special analyses. The time, effort, and frustration involved are substantial. Nevertheless, that large quantities of information are needed can hardly be disputed. Colleges and universities are in an embarrassing position when they object to the load of questionnaires and reports because they are important research organizations themselves and are among the leading perpetrators of requests for data. Literally hordes of graduate students and professors are seekers of information in the form of responses to questionnaires or personal interviews. Moreover, much of the data collected by government is of greater use to academic researchers than

to any other group. Colleges and universities clearly place a heavier burden on society for the supply of information than society places on higher education. Nevertheless, compliance with government in the supply of data does in fact raise higher educational costs.

In recent years, adverse public attitudes about higher education and increased political interest in colleges and universities has led to the "accountability" movement involving new demands for information, self-studies, reports, justifications of fund requests, inspections, investigations, new layers of accreditation, etc. Most of this activity is at the state level and most -- but not all -- is directed toward public institutions. Legislative committees, governors, state finance officers, state personnel offices, coordinating boards, and other agencies request information, often in detail and on short notice. Attacks upon higher education by political candidates and public officials are frequent and must be answered. The effect of these developments on institutions has been not only additional demands for information but loss of autonomy as decision-making has been shifted upward to super-boards, legislative committees, and state finance officers. The result has been reduced administrative initiative and flexibility and increasing management by formulae imposed by absentee administration. These developments have undoubtedly raised costs but, more important, have probably impaired efficiency and academic freedom.

Ironically, the growing involvement of higher education with federal and state government has increased the need in the institutions for information about existing laws, regulations, and programs and about proposals for new ones. It has also required increasing attention to formulating positions on future legislation and to advocacy of these position. Some of the increased effort takes the form of membership and activity in organizations representing higher education and some takes the form of direct lobbying. All of these activities take time, effort, and money.

Tax Reform. In recent years, a slow erosion of the traditional tax-exempt privileges of higher education has occurred. In some respects, this has tended to raise costs and in others to lower income. The Federal Government has modified taxes in ways that may inhibit philanthropy and constantly threatens to take drastic action. The Federal Internal Revenue Service has increasingly scrutinized the operations of non-profit organizations — partly to discover taxable income and partly to enforce affirmative action. As a result, significant new demands have been made on the time and effort of college and university administrative staffs. In many areas of the nation, local and state governments have become less lenient with respect to tax exemption on the property and sales of non-profit institutions. Colleges and universities are often persuaded — in some cases pressured by threats of adverse rulings on zoning -- to make contributions in lieu of property taxes. And some local and state governments have stiffened their policies on taxation of property not directly used for educational purposes, taxation of "unrelated" income, and tax treatment of charitable contributions.

Neighborhood Deterioration. In recent decades there has been a visible increase in urban decay, crime, vandalism, and militant protest in the communities within which higher education operates. These conditions and the costs they generate may be attributed in part to failures of government, but they may also be attributed to failures of the family, the church, the media, and education itself. But whatever the cause, they are among the social changes that have increased the costs of higher education. Neighborhood deterioration has required increased provision for security, higher insurance premiums, losses from theft and vandalism, and unwelcome changes in mode of operation. Also some institutions have found it expedient to incur large expenditures for property acquisition, urban renewal, and neighborhood

improvement in areas adjacent to their campuses.

Changes in Technology and Proliferation of Knowledge. Developments in technology over the past several decades have affected instructional methods, but there is little evidence that they have improved productivity of higher education. The introduction of TV, computer-assisted instruction, advanced audio-visual systems, miniaturization of printed materials, etc., may have improved teaching-learning slightly, but have not reduced expenditures significantly. At the same time, new technologies have laid responsibilities on the institutions to teach new subjects such as computer science, TV journalism, labor relations, modern genetics, and new techniques in medical and allied health fields. They have also required institutions to secure new equipment for both teaching and research purposes, equipment such as advanced computers, electron microscopes, linear accelerators, advanced optical and radio telescopes, and many others. Meanwhile the proliferation of knowledge has brought about the introduction of new specialties into both teaching and research and has required a great acceleration of library acquisitions with associated problems of storage and retrieval of information. Government has had little to do with creating these problems, and has generously assisted higher education in meeting them. Indeed, that our colleges and universities have been able to keep up-to-date in equipment and books is due in no small measure to the assistance of government. In assessing the effect of government on higher educational costs, it is necessary to consider the assistance given as well as the costs imposed.

Special Problems of Teaching Hospitals and Clinics. Government has imposed special requirements on teaching hospitals and clinics that tend to add cost or reduce income. These requirements relate partly to the time and effort involved in health planning procedures, patient care review,

accreditation and licensure, accounting requirements, drug and blood regulations, radiation protection, use of human and animal subjects for research, liaison with the Veterans Administration, and many others. The impacts of government also relate to the reimbursement of hospitals and clinics for medical services performed for Medicare, Medicaid, and patients in other programs whose bills are paid partly or wholly by public agencies. The issue here is similar to that of indirect cost reimbursement in the case of research contracts and grants.

Special Fiscal Problems. The efficiency of programs involving the government is often said to be impaired because of annual budgeting combined with erratic variations in level of support for particular programs. In some states, the fiscal situation is further complicated by the practice of state governments of taking all federal funds (and other in-state funds as well) into the state treasury and reappropriating them to the universities and colleges..

ESTIMATED DOLLAR AMOUNTS OF SOCIALLY-IMPOSED COSTS AFFECTING HIGHER EDUCATION

In the preceding section, we have reviewed a wide range of social changes that may have affected higher educational costs. In most cases, the impacts of these changes have been mediated to some degree through government. It is clear from this review that a vast array of new or accentuated social influences have come to bear on higher education and that most of them tend to raise institutional costs, a few tend to lower institutional income, and a few have a negligible financial effect. In this section, we shall consider the impact of these social changes on institutional costs. Accounting records of colleges and universities are not well-adapted to isolating socially-imposed costs and there are serious conceptual problems. Nevertheless, it may be possible to gain some idea of general orders of magnitude.

Expenditures for General Administration and General Expense. A first step

in reaching a rough approximation of the dollar amount of costs socially-imposed upon higher education is to observe changes over time in the percentage of educational and general (E and G) expenditures devoted to general administration and general expense. These administrative expenditures include many, though not all, of the socially-imposed costs. They include most payroll taxes and other employee fringe benefits and much of the legal work, accounting, and other paper work involved in compliance. As shown in table 2, the percentage of E and G devoted to general administration and general expense rose sharply from 13.1 percent in 1959-60 to 18.6 percent in 1974-75, an increase of 5.5 percentage points. One might conclude from this that the socially-imposed costs added since 1959-60 were of the order of \$1.5 billions (5.5 percent of 1974-75 E and G expenditures of \$26.3 billions). This figure would leave out substantial amounts carried in the departmental budgets, plant operation and maintenance, organized research, and other accounts. It might also include some voluntary increases in costs related to improvement of educational quality. On balance, the figure of \$1.5 billions is almost surely less than the total of socially-imposed costs.

Most of the increase in general administration and general expense was probably due to increases in payroll taxes and other employee fringe benefits. But some was probably due to the rise in administrative work associated with governmental programs. This hypothesis is supported by data in table 3 showing the distribution of academic employment among instructional faculty, other professionals, and non-professional employees. As shown in table 3, the percentage of other professionals (many of whom are executive, administrative, and managerial persons) increased substantially in recent years.

Fringe Benefits. Employee fringe benefits have increased rapidly in the past decade as shown in table 4. This table refers only to faculty and not to other professional and administrative persons or to non-professional persons.

Table 2. - General Administrative and General Expense as Percentages of Total Educational and General Expenditures, All U. S. Institutions of Higher Education, 1949-50 to 1974-75.

Year	Total Educational and General Expenditures (millions of dollars)	General Administrative and General Expense (millions of dollars)	Percentages
1949-50	1,706	213	12.5%
1959-60	4,511	592	13.1
1969-70	15,789	2,628	16.6
1972-73	21,078	3,713	17.6
1973-74	23,435	4,243	18.1
1974-75	26,347	4,900	18.6

Sources: National Center for Education Statistics: Digest of Education Statistics 1975 Edition (1976, p. 130); Financial Statistics of Institutions of Higher Education: Current Fund Revenues and Expenditures (1976, p.8); Projections of Education Statistics to 1984-85 (1976, pp. 97-98).

Table 3. - Numbers and Percentages of Full-time-Equivalent Employees in
U. S. Institutions of Higher Education, 1966-67 to 1972-73.

(in thousands)

<u>Year</u>	<u>Instructional Faculty</u>	<u>Other Professionals</u>	<u>Non-professional Employees</u>	<u>Total Employees</u>
<u>Numbers</u>				
1966-67	324	196	599	1,120
1967-68	348	215	609	1,172
1970-71	417	284	603	1,304
1972-73	428	290	611	1,329
<u>Percentages</u>				
1966-67	29%	18%	53%	100%
1967-68	30	18	52	100
1970-71	32	22	46	100
1972-73	32	22	46	100

Source: National Center for Education Statistics, Number of Employees in
Institutions of Higher Education (1976, p. 7).

Table 4. - Fringe Benefits as Percentages of Faculty Compensation, All
U. S. Institutions of Higher Education, 1964-65 to 1975-76.

Year	Average Compensation	Average Fringe Benefits	Percentage
1964-65	10,050	709	7.1%
1966-67	11,289	902	8.0
1968-69	12,951	1,191	9.2
1970-71	14,792	1,508	10.2
1972-73	16,413	1,861	11.3
1974-75	18,709	2,306	12.3
1975-76	20,015	2,565	12.8

Source: American Council on Education, A Fact Book on Higher Education,
third issue 1976, p. 170.

If the same rate of increase had occurred for all employees,¹² the rise in

¹²The rate of increase was probably about the same for other professional and administrative persons, and possibly higher for non-professional employees. Fringe benefits for the latter were traditionally relatively low and increases in recent years have probably been more rapid than increases for the faculty and other professional groups.

total cost between 1964-65 and 1975-76 would have been about \$1.5 to \$2 billions. This is a very rough estimate, again designed to identify an order of magnitude rather than a precise figure.

The Van Alstyne - Coldren Study. In 1976, Carol Van Alstyne and Sharon L. Coldren, under the sponsorship of the American Council on Education, published an illuminating study, The Costs of Implementing Federally Mandated Social Programs at Colleges and Universities. The obtained data from six varied institutions:

University of Illinois
Miami-Dade Junior College
Duke University
Georgetown University
Hampton Institute
College of Wooster

They limited their study to twelve federal programs:

Equal employment opportunity: Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1963.

Equal pay: Equal Pay Act of 1963.

Affirmative action: Executive Order 11246, issued in 1965, as amended by Executive Order 11375 to include discrimination on basis of sex, 1967.

Age discrimination: Employment Act of 1967, as amended.

Wage and hour standards: Fair Labor Standards Act (FLSA), as amended.

Unemployment compensation: Social Security Act of 1935; Employment Security Amendments, 1970.

Social security tax increases: Social Security Act of 1935; Employment Security Amendments, 1970.

Health maintenance organizations (GMOs): Health Maintenance Organization Act of 1973.

Retirement benefits: Employment Retirement Income Security Act (ERISA) of 1974.

(Note: public institutions excluded)

Wage and salary controls: Economic Stabilization Act of 1970 (Note: public institutions excluded; nonprofit institutions exempted January 25, 1974).

Occupational safety and health: Occupational Safety and Health Act (OSHA) of 1970.

Environmental protection: Regulations implemented under several laws by the Environmental Protection Agency.

Subject to the numerous caveats about limitations of data and difficulty of interpretation, they reached the following conclusions:

The combined cost to the six institutions increased from about \$500,000 in 1965-66 to about \$4,000,000 in 1970-71 and to about \$10,000,000 in 1974-75 (pp. 26, 31).

Cost trends over time for different federal programs varied, but the aggregates tended to increase steadily (p. 27).

The 1974-75 costs due to the twelve programs amounted to 1 to 4 percent of total operating budgets. (p. 14).

Because of the fewness of the institutions represented in their data base, they did not report the costs of each of the twelve programs separately. They did however, indicate that one-half the increase was accounted for by Social Security taxes (p. 29) and that the other major sources of cost (in descending order of importance) were equal employment opportunity programs, occupational safety and health, minimum wage, environmental protection, and unemployment compensation.

If their figure of 1 to 4 percent could be generalized to all of higher education, the dollar amount would range from \$0.3 billions to \$1.1 billions (1 to 4 percent of total E and G expenditures of \$26.3 billions).

Some Guesses About Overall Cost. On the basis of the Van Alstyne-Coldren study, the anecdotal information from particular institutions (as presented in the Appendix) and other indications, one might guess that the addition to aggregate higher educational expenditures resulting from socially-imposed costs over the period since 1949-50 has been in the neighborhood of 8 to 10 percent of total educational and general expenditures. E and G expenditures in 1974-75 were \$26 billions; 8 to 10 percent of this amount would be \$2.1 to \$2.6 billions.

Of course, guesses of this kind lack reliability not only because appropriate numbers are not available but also because they depend on what is included within the elastic concept of "socially-imposed costs." The 8 to 10 percent would include the following:

- payroll taxes and other fringe benefits
- impact of collective bargaining and wages and hours legislation
- equal opportunity laws, affirmative action, and other programs for minorities and women
- shared costs in connection with government grants and contracts
- mandatory changes in buildings resulting from new building codes, fire marshall directives, OSHA, provision for the handicapped, new needs for security precautions, and the like.¹³
- costs of general compliance, statistical reports, and other paperwork.

¹³Conceptually, I have considered modifications of physical plant to be amortized over a period of years.

Most of this 8 to 10 percent would be connected with employee compensation, shared costs of grants and contracts, and changes in physical plant. All the rest would be of the order of 1 or 2 percent. Had such items as student financial aid, adult education, public service programs, etc., been included the

percentage would have been larger. There is no way of knowing to what extent the included socially-imposed costs have been shifted backwards to workers in the form of reduced wages and salaries (as compared with what otherwise might have been paid), or shifted forward to government, donors, and students in the form of greater institutional income (than would otherwise have been received).

In the recent and present psychological and financial climate in which higher education is operating, it is likely that a substantial part of these costs have been financed by retrenchment of program, impairment of educational quality, or reduction in operating efficiency. To the extent that funds must be spent on higher wages and fringe benefits, on minority programs, on shared costs, on building safety, and on paperwork and negotiation, expenditures must be cut back for upgrading faculty, for program and facility improvement, for long-range planning, for building maintenance, for accumulation of endowment, etc. To the extent that faculty and administrative staff must spend time filling out forms, reading governmental regulations, negotiating with public officials, lobbying in Washington or in state capitols, and mollifying pressure groups, their effectiveness as educational leaders may be impaired. It may be argued, on the contrary, that socially-imposed costs have higher priority than some kinds of expenditures educators would make if the decisions were left wholly to them, and it can be argued that it is good for educators to be brought into the processes of democratic government rather than to be isolated in their ivory towers. There may be honest differences of opinion on these matters. However, because of the crucial importance of academic freedom, and because of the precarious financial position of higher education, it is likely that the heavy dose of socially-imposed costs in recent years has impaired educational excellence and threatened academic freedom.

It should be observed that some of the socially-imposed costs may be reflected in the price indexes used to deflate higher educational expenditures. To the extent that business firms and other organizations can shift socially-imposed costs forward to buyers, these costs will tend to raise the indexes of both wholesale and consumer prices. Thus, the indexes used to deflate higher educational expenditures contain unknown amounts of socially-imposed costs. To count the rise in higher educational expenditures from so-called inflation and then to count the rise in expenditures from socially-imposed costs separately would probably involve some improper double-counting.

The figures I have supplied on the amount of socially-imposed costs are sheer guesses based upon limited, fragmentary, and ambiguous data. If one were to seek definitive statistics on the amount of socially-imposed costs, the following steps would be necessary: (1) to formulate precise definitions of the expenditure items to be included; (2) to select a sizeable sample of institutions; (3) to examine their expenditures over at least ten years in great detail and thus to identify increases in expenditure associated with particular socially-imposed costs; (4) to classify the resulting data by types of institutions. Even with considerable care, the estimates would still be ambiguous. The outcome would depend on more or less arbitrary judgments of what expenditure items to include. Also, many of the relevant costs do not show up in accounting records and depend on arbitrary assumptions (e.g., faculty time used in complying with governmental regulations, amount of shared costs, or extent of backward shifting of fringe benefits). Indeed, I question whether such studies would be worth the effort. They would impose upon institutions still another costly data-collection effort laid on by outside agency, and would produce results having spurious accuracy and achieving little more than the satisfaction of curiosity.

APPENDIX

ANECDOTAL INFORMATION

Some insight into the impact of socially-imposed costs can be gleaned from miscellaneous reports contained in various public statements of college and university executives. The most complete and detailed of these comes from the University of Iowa where a survey was made throughout the institution on The Impact of Federal Regulations (1976). Other useful documents have been provided by Harvard University (Bok, 1976), Ohio State University

(Enarson 1976), and the University of Wisconsin (undated, probably 1976). The Southern Association of Colleges and Schools (1976) conducted a survey of member institutions and assembled the results in the form of anecdotal reports. Also, various bits of information on the amount of socially-imposed costs have appeared from time to time in the daily press, news magazines, and other publications. In most cases, the information is merely illustrative. Often, the definitions of categories of cost are ambiguous and the amounts are unclear. Nevertheless one does get from these scattered sources a sense of the magnitudes involved.

Some gleanings from these sources are contained in the following three sub-sections:

(a) Proliferation of Federal Laws and Regulations
Affecting Higher Education

"In 1972 the Office of Education published 32 documents in the Federal Register. In 1976, it expects to publish 270 official notices and regulations." (Cheit, 1975, p. 32)

"Nearly 400 federal programs now directly affect higher education."
(U. S. News and World Report, July 5, 1976, p. 91)

"...there are over 400 different laws which affect colleges directly, producing many thousands of separate regulations." (Mezvinsky, 1976, p. H9662)

The Library of Congress "identified 439 separate statutory authorities affecting postsecondary education." In 1973, "the National Commission on the Financing of Post-Secondary Education had already identified some 375 separate programs lodged in more than 35 agencies besides the U. S. Office of Education. The programs are placed "among

18 of 22 standing committees of the House and 16 of 18 Senate Committees." (Andringa, 1976, p. 28)

"A study at the University of California found that 229 'unique reports' are regularly sent to 32 federal agencies." (Cheit, 1976, p.)

...the Federal Register, where agencies publish their regulations, had grown from 3,450 pages in 1937 to 35,591 pages in 1973, 45,422 pages in 1974 and 60,221 pages in 1975... during the past year Congress enacted 402 laws, whereas in the same period 7,496 new federal regulations appeared. (McGill, 1976, p. 11. See also Lilley and Miller, 1977, p. 50).

(b) Illustrative Indications of Costs of Particular Federal Programs

<u>Program</u>	<u>Institution</u>	<u>Cost</u>
Unemployment Compensation	U. of Iowa	Annual benefits \$120,000; clerical and administrative costs \$17,000
Workman's Compensation	U. of Iowa	Annual compliance \$10,000
Employment Retirement Income Security Act (ERISA)	U. of Iowa	Annual compliance \$2,000
Occupational Health and Safety	U. of Iowa	Capital \$25,000,000 over a period of years. Annual administrative \$102,000.
	Ohio State Univ.	Capital \$9,100,000 over a period of years. Preparatory activity \$885,000 over last two years.
	Unidentified Southern Univ.	Capital \$50,000,000 in a single hospital complex
Radiation Safety	Univ. of Iowa	Annual compliance \$1,000
Affirmative Action	U. of Calif, Berkeley	Planning document required 70,000 separate statistical calculations
	Univ. of Wisconsin	Planning document ran to 6,000 pages in 16 volumes and required over 100,000 analyses of employee actions
	U. of Iowa	Personnel office addition of more than \$300,000 a year plus expenses at departmental and college levels
		Addition of five new administrative positions plus \$10,000 in computer costs and costs in departments and colleges, e. g., \$8,000 in College of Dentistry.

<u>Program</u>	<u>Institution</u>	<u>Cost</u>
Student Financial Aid	Ohio State Univ.	Last year cost was \$55,000 for administration of BEOGs. This year another full-time person added.
	Univ. of Iowa	Cost of financial needs analysis has increased from \$53,000 in 1967 to \$186,000 in 1975. Staff increased from 5 to 29 persons 1967 to 1977.
	Univ. of Wisconsin	Administration of Guaranteed Student Loans will cost additional \$50,000. Administration of BEOGs will require 2 1/2 professional persons plus support staff.
Buckley amendments	Ohio State Univ.	\$250,000 in staff time and computer charges to establish the program.
	Univ. of Iowa	1 clerical person added.
Wages and Hours	Univ. of Iowa	Compliance \$6,000 a year
Minority student recruitment and counseling		New procedures and 2 new staff members.
Environmental protection	Ohio State Univ.	\$50,000 a year in new costs to haul solid waste to land fill.
	Univ. of Iowa	Waste disposal \$64,000. Routine compliance with environmental quality standards \$2,500 annually.
Research on human subjects	Ohio State Univ.	Annual compliance \$25,000 and probably as much again in staff time.
	Univ. of Iowa	Part time of several persons.

(c) Estimates of Overall Costs of Federal Regulation
to Particular Universities

"At Harvard, the total cost of administering five government programs -- equal employment opportunity laws, the Buckley Amendment, occupational health and safety rules, environmental protection, and pension reform -- has been running from 4.6 to 8.3 million dollars per year." (Bok, 1976, p. 20)

"At Harvard, for example, compliance with federal regulations consumed over 60,000 hours of faculty time in 1974-75 alone." (Bok, 1976, p. 18)

"Recently a survey was conducted at the University of Iowa to determine the impact of Federal regulations. It was estimated that the direct dollar costs alone amount to approximately \$6 million annually, which represents 4 percent of the university budget. (Mezvinsky, 1976, p. H9662)

"At the University of Rochester, government red tape is estimated to add 1 million dollars annually to operating costs. The University of Kansas, which gets about 24 millions in federal funds annually, spends more than \$750,000 a year on compliance reports." U. S. News and World Report, 1976, p. 92.

"...Columbia University spends easily in excess of \$1 million each year in meeting its various federal reporting obligations." (McGill, 1976, p. 13)

Compliance regulations of the Federal Government "represents 2% of our budget." (Southern Association of Colleges and Schools, 1976, p. 12)

"...we spend better than thirteen percent of the total effort output of the college campus in involvement in federal reporting." (Ibid., p. 13)

"... we are using the equivalent of approximately 13 full-time staff members to handle all of the paper work, reporting etc. required by the Federal Government." (Ibid., p. 13)

"Indeed, if the two-billion dollar figure [for the cost to all of higher education] mentioned in a national magazine is accurate, the SACS estimates are very, very low." (Ibid., p. 13)

"We have made actual comparisons in the report requirements imposed at the Federal level over the past five years and find that in our instance the volume of material has grown 1600%." (Ibid., p. 6)

"... current annual cost resulting from The Federal Government regulatory impact upon the operations of _____ University is approximately 8.41 F.T.E. positions at an expense of about \$126,745.00." (Ibid., p. 10)

"The total cost of this activity and the attendant supplies and equipment consumed total at least \$439,000 for the fiscal year." (Ibid., p. 14)

"Of a total annual budget of approximately six million dollars, between 14 and 20 percent is expended for the purposes as above stated." (Ibid., p. 16)

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